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# 2Q 2023 Earnings Release

August 10, 2023

**Disclaimer**

*Hanon Systems does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Any information expressed herein on this date is for understanding purposes before the audit, and may be subject to change without notice.*

# 2Q 2023: Key Financial Metrics

(KRW in Billions)

	2Q23	2Q22	YoY %	1Q23	QoQ %
<b>Revenue</b>	<b>2,429</b>	<b>2,107</b>	15.3%	<b>2,340</b>	3.8%
<b>COGS</b>	<b>2,145</b>	<b>1,906</b>	12.5%	<b>2,126</b>	0.9%
% of Sales	88.3%	90.5%		90.8%	
<b>SG&amp;A (Incl. R&amp;D)</b>	<b>140</b>	<b>140</b>	-0.1%	<b>154</b>	-8.9%
% of Sales	5.8%	6.7%		6.6%	
<b>EBITDA</b>	<b>289</b>	<b>198</b>	45.7%	<b>202</b>	43.3%
Margin (%)	11.9%	9.4%		8.6%	
<b>Operating Profit</b>	<b>143</b>	<b>60</b>	138.8%	<b>60</b>	138.2%
Margin (%)	5.9%	2.9%		2.6%	
<b>Profit Before Tax</b>	<b>135</b>	<b>15</b>	827.6%	<b>67</b>	102.9%
Margin (%)	5.6%	0.7%		2.8%	
<b>Net Income</b>	<b>111</b>	<b>15</b>	658.4%	<b>45</b>	144.5%
Margin (%)	4.6%	0.7%		1.9%	

**Record High Revenue on Volume Growth; Largest Operating Profit Since 2021 on Cost Recovery**

# 1H 2023: Key Financial Metrics

(KRW in Billions)

	1H 2023	1H 2022	YoY Variance	
<b>Revenue</b>	<b>4,769</b>	<b>4,087</b>	683	16.7%
<b>COGS</b>	<b>4,272</b>	<b>3,708</b>	564	15.2%
% of Sales	89.6%	90.7%		
<b>SG&amp;A (Incl. R&amp;D)</b>	<b>294</b>	<b>289</b>	6	2.0%
% of Sales	6.2 %	7.1 %		
<b>EBITDA</b>	<b>491</b>	<b>361</b>	130	36.1%
Margin (%)	10.3%	8.8%		
<b>Operating Profit</b>	<b>204</b>	<b>91</b>	113	125.0%
Margin (%)	4.3%	2.2%		
<b>Profit Before Tax</b>	<b>202</b>	<b>45</b>	157	353.5%
Margin (%)	4.2%	1.1%		
<b>Net Income</b>	<b>156</b>	<b>37</b>	119	322.8%
Margin (%)	3.3%	0.9%		

**Revenue and Operating Profit on Track to Yearly Guidance**

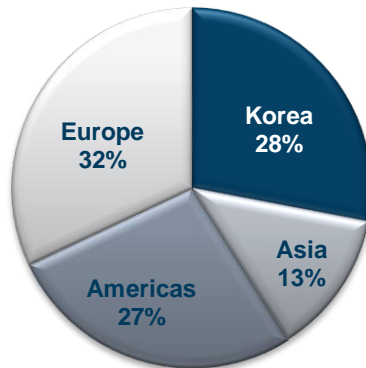
# 2Q 2023 Highlights

## 2Q23 Highlights

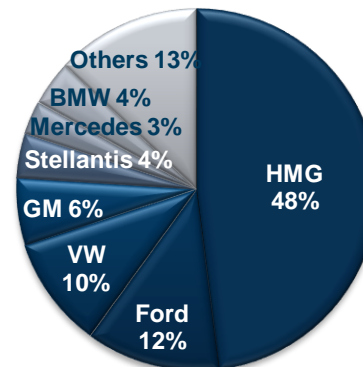
- Revenue increase of 15% year-on-year based on volume recovery, easing chip shortage and xEV growth
- Profits surge year-on-year in 2Q based on volume, mix, cost reduction actions and customer recovery
- New Business Wins on track to yearly target with global carmakers in Europe, North America and Korea

## Sales Breakdown (1H23)

By Region



By Customer

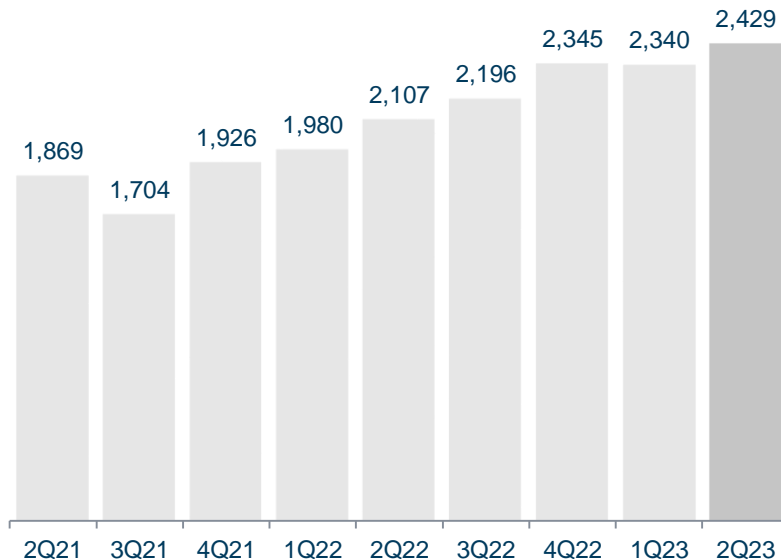


# Quarterly Sales

## Consolidated Sales

## Comments

(KRW in Billions)



- Record high quarterly sales in company history
- Europe, Americas, Korea and China 2Q23 YoY revenue up by 21%, 19%, 8% and 8% respectively
- Increase in VW (+39%), GM (+31%), Ford (+27%), BMW (+27%), HMG (+14%) in 2Q23

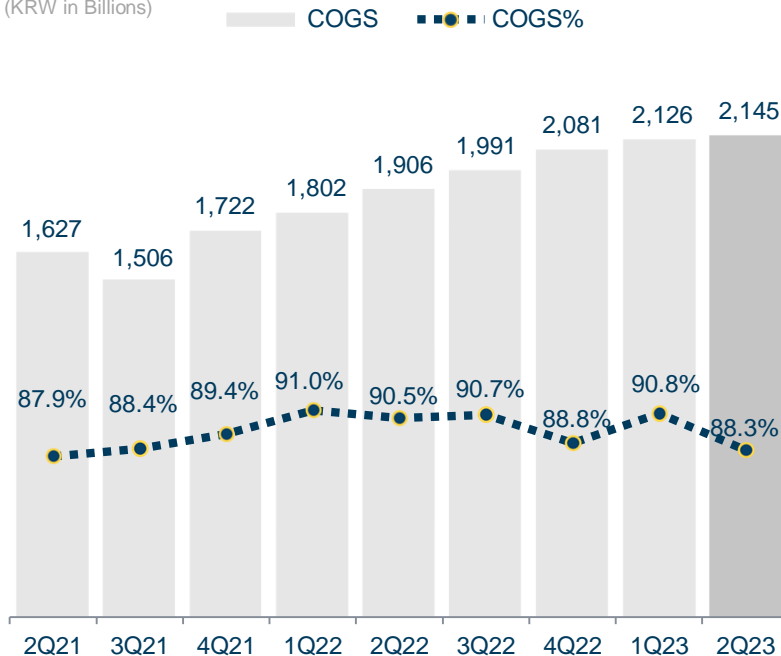
**2Q23 Revenue Increase of 15% YoY Led by Global Carmakers in Americas and Europe**

# Quarterly COGS

## Quarterly Cost of Goods Sold

## Comments

(KRW in Billions)



- Positive factors
  - COGS% decreased 2.2%p YoY due to volume growth, input cost stabilization and soften logistics cost
  - Expect COGS% to persist in 2H 2023 with easing input costs, logistics costs and commercial cost recoveries
- Negative factors
  - Slow volume growth in China
  - Higher utility costs in Europe

**COGS% Begins to Normalize Along with Chip Supply and Easing Input Costs**

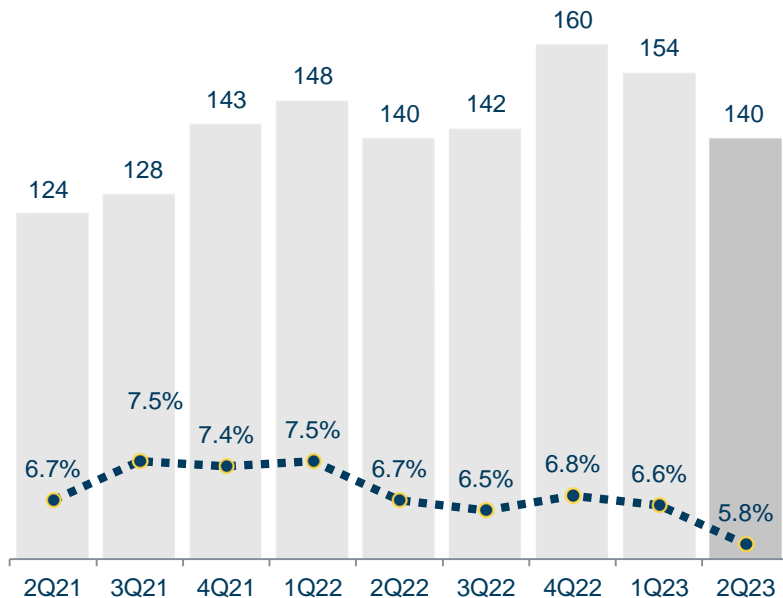
# Quarterly SG&A

## Quarterly SG&A Status

## Comments

(KRW in Billions)

SG&A SG&A%



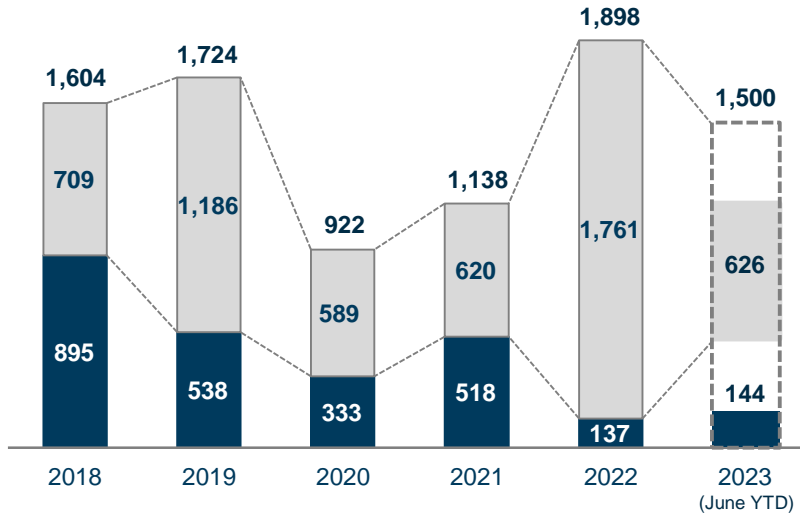
- SG&A expense: 5.8% of total revenue (down 0.9%p YoY)
- R&D spend (incl. R&D capitalization): 4.3% of total revenue

Company Controls SG&A Costs Effectively While Revenue Grows Fast

# New Business Wins Update

## FY2023 New Business Wins

■ Re-win □ New-win  
 (Annual Average Revenue in USD Millions)



xEV  
 (% out of  
 New-win)

2018	2019	2020	2021	2022	2023 (June YTD)
63%	73%	76%	81%	93%	95%

- On track to 2023 NBW targets of USD 1.5B
- Maintains strong technology leadership by supplying to diversified BEV segments including volume, premium, performance and ultra-luxury vehicles from globally renowned carmakers
- Expects significant new-wins in 2H 2023 on BEV platforms from major customers in the U.S., Europe and Korea
- Supplies eCompressor and Electronic Water Pump for Ultra-Luxury Electric Vehicle, Rolls-Royce Spectre



Photo source: Rolls-Royce Motor Cars Ltd.

**On Track to 2023 NBW Targets Based on Strong Relationship with Anchor Customers**

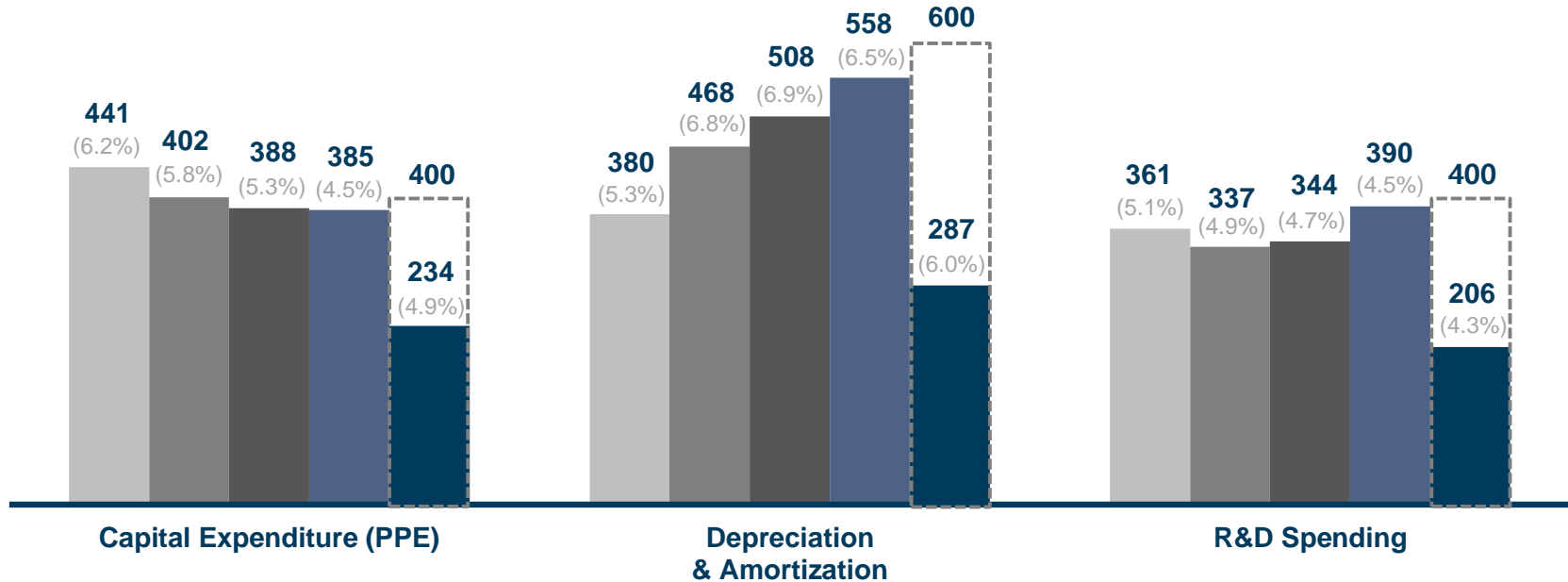


# Trend of CapEx, D&A and R&D Spending

(KRW in Billions)

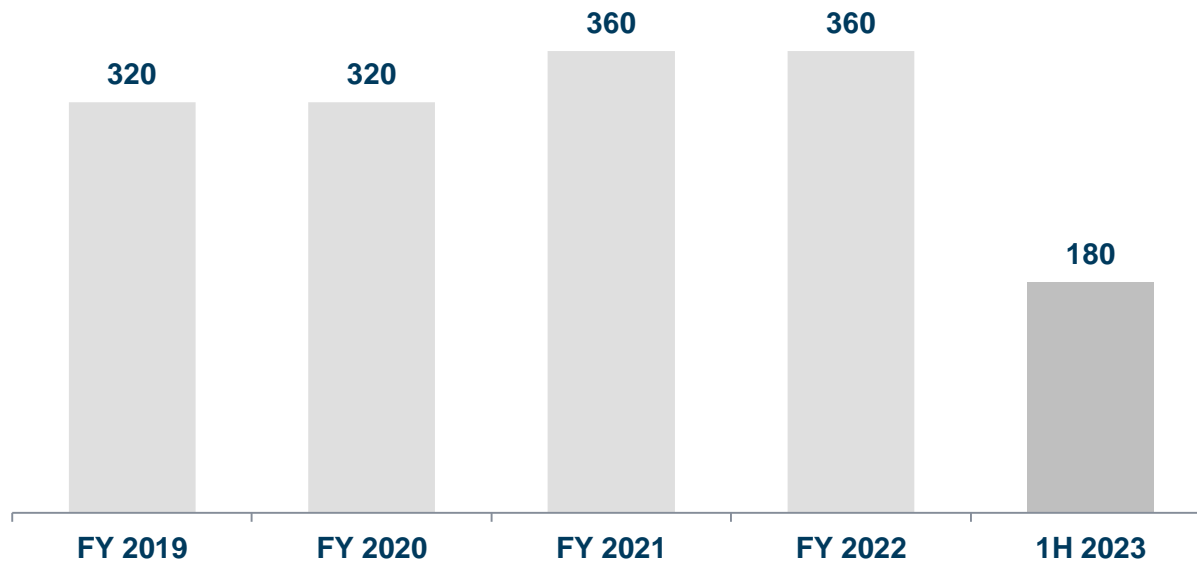
(%) Cost-to-Revenue

■ FY2019 ■ FY2020 ■ FY2021 ■ FY2022 ■ FY2023



**Focus on Flawless Launch of Major BEV Platforms While Controlling Cost Spending within the Guided Level**

## 2Q23 Quarterly Dividend (90 KRW per share)



# 2Q 2023 Balance Sheet

(K-IFRS / KRW in Billions, x times)

## Balance Sheet

	June 2023	Dec 2022	Dec 2021
Cash and cash equivalent	1,125	1,436	1,404
Account receivable	1,287	1,285	1,025
Inventories	1,079	972	810
Property and equipment	2,695	2,371	2,336
Intangible assets	2,066	1,923	1,790
Lease assets	280	249	227
Other assets	830	863	642
<b>Total assets</b>	<b>9,362</b>	<b>9,099</b>	<b>8,234</b>
Account payable	1,957	1,824	1,475
Debt	3,994	4,280	3,723
Other liabilities	710	624	560
Shareholder's equity	2,566	2,236	2,343
Non-controlling	135	134	133
<b>Total liabilities &amp; shareholders' equity</b>	<b>9,362</b>	<b>9,099</b>	<b>8,234</b>

## Cash and Debt

Cash Balance	June 2023	Dec 2022	Dec 2021
Net Debt	2,869	2,844	2,319
Net Debt Ratio	1.1	1.2	0.9
Debt to Equity	1.5	1.8	1.5
Leverage	LTM (Last Twelve Months)	2022	2021
EBITDA	944	814	834
Debt / EBITDA	4.2	5.3	4.5
Net Debt / EBITDA	3.0	3.5	2.8
EBITDA / Net Interest Expenses	7.7	8.8	10.5

Management Team Continue to Focus on Improving Balance Sheet

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# Thank You

## Investor Relations Team

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**Chungkwan Shin**  
Head of IR  
cshin1@hanonsystems.com

**Eunbin Kim**  
Sr. Manager  
ekim16@hanonsystems.com

**Cheri Im**  
Manager  
clim10@hanonsystems.com